

Legal Controls

Evaluation 6 marks

IGCSE Paper 1

BVC makes a range of paints. It exports 60% of its products. The Managing Director has been looking at BVC's cash-flow forecast shown in Table 2. He said: 'Success is not just about our return on capital employed.' The Managing Director is worried about the introduction of new legal controls to protect the environment. This will mean BVC will have to reduce the number of chemicals that are used to make paint. He thinks these new legal controls will be bad for business.

The Managing Director thinks the new legal controls to protect the environment will be bad for business. Do you agree? Justify your answer. (6 marks)

Increased costs from new paint production methods which could lead to higher prices and therefore less demand.

New rules may not apply in some of their markets as 60% are exported.

Although prices will rise because of the rules in the BVC home country all producers of paint will be affected and have to raise their prices too. Therefore, BVC can remain competitive with its pricing in its domestic market and as its export markets are unaffected it can keep the same level of sales.

